



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

June 10, 2010

Janelle Wong
Tax Manager
Accenture, LLP
1255 Treat Boulevard, Suite 400
Walnut Creek, CA. 94597

Dear Ms. Wong:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET05-0136 for the period July 5, 2004 through July 4, 2006.

We did not receive a response to the draft audit report; therefore, our findings and recommendations remain unchanged.

Also enclosed is a demand letter for payment of costs disallowed in the audit report. Payment is due upon receipt of this letter. If you wish to appeal the audit findings, you must follow the procedure specified in Attachment A to the audit report.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758.

Sincerely,

Original signed by:
Stephen Runkle
Audit Manager

Enclosures

ACCENTURE, LLP

Agreement No. ET05-0136

Final Audit Report

For The Period

July 5, 2004 through July 4, 2006

Report Published June 10, 2010

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AUDITOR'S REPORT

Summary

We performed an audit of Accenture, LLP's compliance with Agreement No. ET05-0136, for the period July 5, 2004 through July 4, 2006. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit was performed during the period July 7, 2008 through July 11, 2008.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$572,507. Our audit supported \$561,496 is allowable. The balance of \$11,011 is disallowed and must be returned to ETP. The disallowed costs resulted from 4 trainees who did not meet post-training retention requirements, 10 trainees with unsupported class/lab training hours, 1 trainee who did not meet the full-time employment requirement, 2 trainees who were not employed in an eligible occupation, and 1 trainee who did not meet the minimum wage requirements. We also noted an administrative finding for inaccurate reporting of trainee wage rates.

AUDITOR'S REPORT (continued)

Background

Headquartered in Chicago, Accenture LLP (Accenture) is a management and technology consulting firm providing software engineering, project development, software and application development, testing, and analysis services to clients worldwide. Accenture maintains five California facilities in Walnut Creek, Los Angeles, San Francisco, Sacramento and Palo Alto that specifically support the Accenture employee groups worldwide who provide software and consulting services to Accenture's clients.

This Agreement is the second between Accenture and ETP. During development of this training project, a critical need for advanced training was identified not only for incumbent workers, but also for any new employees the company recruited during a workforce expansion. Driven primarily by a growing demand from its clients for greater capabilities in emerging technologies, Accenture's workforce needed specialized training that would enhance employee knowledge of the e-Economy and its related advancements in computer technology applications. Therefore, the Agreement provided for both Computer Skills and Business Skills components. The Computer Skills portion encompassed a range of programming and computer-related skills, particularly in the areas of computer engineering, coding languages, virtual spaces, and portals.

This Agreement allowed Accenture to receive a maximum reimbursement of \$1,148,160 for retraining 1,280 employees. During the Agreement term, the Contractor placed 659 trainees and was reimbursed \$572,507 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of Accenture LLP. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that Accenture LLP complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Training documentation supports that trainees received the training hours reimbursed by ETP and met the minimum training hours identified in the Agreement.

AUDITOR'S REPORT (continued)

- Trainees were employed continuously full-time for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.
- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion

As summarized in Schedule 1, the Summary of Audit Results, and discussed more fully in the Findings and Recommendations Section of our report, our audit supported \$561,496 of the \$572,507 paid to the Contractor under this Agreement is allowable. The balance of \$11,011 is disallowed and must be returned to ETP.

Views of Responsible Officials

The audit findings were discussed with Janelle Wong, Tax Manager, at an exit conference held on July 11, 2008 and via e-mail on April 13, 2009. A draft audit report was issued to the Contractor on May 11, 2010. The Contractor did not respond in writing to the draft audit report.

The issuance of your final audit report had been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs beginning July 12, 2008 through the issue date of this final audit report. The interest waiver (adjustment) was \$1,296.79, which was deducted from the total accrued interest.

Audit Appeal Rights

If you wish to appeal the audit findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).

AUDITOR'S REPORT (continued)

Records Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Stephen Runkle
Audit Manager

Fieldwork Completion Date: July 11, 2008

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET05 – 0136 and should not be used for any other purpose.

SCHEDULE 1 – Summary of Audit Results

ACCENTURE LLP

AGREEMENT NO. ET05-0136

FOR THE PERIOD

JULY 5, 2004 THROUGH JULY 4, 2006

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 572,507</u>	
Disallowed Costs:		
Post Training Retention Not Met	4,550	Finding No. 1
Unsupported Class/Lab Training Hours	3,237	Finding No. 2
Full-Time Employment Requirement Not Met	2,353	Finding No. 3
Ineligible Trainee Occupation	871	Finding No. 4
Minimum Wage Requirement Not Met	-	Finding No. 5
Inaccurate Reporting	-	Finding No. 6
Total Costs Disallowed	<u>\$ 11,011</u>	
Training Costs Allowed	<u><u>\$ 561,496</u></u>	

* See Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Payroll records provided by Accenture LLP (Accenture) revealed that one Job No. 1 trainee and three Job No. 2 trainees did not meet post-training retention requirements upon completion of training. Therefore, we disallowed \$4,550 in training costs claimed for these trainees (\$1,677 + \$598 + \$1,768 + \$507).
Post-Training Retention Requirement Not Met

Exhibit A, Paragraph VII. A. of the Agreement between ETP and Accenture states, “Each trainee must be employed full-time, at least 35 hours per week, with the Contractor for a period of at least ninety (90) consecutive days immediately following the completion of training. The period shall be completed no later than the last day of this Agreement...”

Accenture reported that Trainee Nos. 3, 4, 8 and 15 each completed their required 90-day retention periods immediately after their respective training periods. However, Accenture payroll records show that these trainees terminated employment with Accenture prior to the end of their required 90-day retention periods. Furthermore, Employment Development Department (EDD) base wage information supports the employer-reported termination dates and show no subsequent full-time employment in California within the term of the Agreement. Thus, Trainee Nos. 3, 4, 8 and 15 did not meet retention period requirements and are disallowed.

Finding No. 1 (Table A) included below shows their training end dates per Accenture training records, required retention start and end dates, termination dates per Accenture payroll records, and number of days employed after training.

Trainee No.	Job No.	Training End Date	Retention Start Date	Retention End Date	Termination Date	No. of Days Employed After Training
3	2	05/07/05	05/08/05	08/06/05	06/11/05	34
4	1	11/15/05	11/16/05	02/14/06	11/16/05	0
8	2	08/21/05	08/22/05	11/20/05	10/08/05	47
15	2	08/24/05	08/25/05	11/23/05	09/21/05	27

Recommendation Accenture must return \$4,550 to ETP. In the future, Contractor should ensure that trainees meet post-training retention requirements prior to claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 2 – Training records maintained by Accenture do not support paid
Unsupported training hours for six Job No. 1 trainees and four Job No. 2 trainees.
Class/Lab We previously disallowed \$2,184 in training costs claimed for
Training Hours Trainee Nos. 3 and 15 in Finding No. 1. Thus, we disallowed the
remaining \$3,237 in unsupported training costs claimed for these
trainees.

Title 22 California Code of Regulations (CCR), Section 4442(a) requires the Contractor to maintain and make available records that clearly document all aspects of training. All classroom/laboratory training records must include hours of attendance and dates of training, be certified daily by the instructor during training, signed (or initialed) daily by the trainee, and signed by the trainer for each type of training.

Paragraph 2(b) of the Agreement states: “Reimbursement for class/lab and videoconference training for trainees in job number 1 [and in Job No. 2, which was added in Amendment No. 2] will be based on the total actual number of training hours completed by training delivery method for each trainee, up to the maximum specified in Chart 1, providing the minimum and no more than the maximum hours are met.” Exhibit A, Chart 1 of the Agreement requires that Job Nos. 1 and 2 trainees complete between 24 to 200 class/lab hours.

Paragraph 5(a.1) of the Agreement states in part that, “Records must be retained within the control of the primary Contractor and be available for review at the Contractor’s place of business within the State of California...”

Exhibit A, Paragraph VI. A. of the Agreement states, “Contractor shall provide training pursuant to the Curriculum in Exhibit B.” Exhibit B of the Agreement does not include training in “Workplace Harassment” and “Personal Responsibility: Living the Code.”

ETP auditors found that original class/lab rosters and electronic record keeping reports maintained by Accenture do not support reported training hours for the 10 trainees noted above due to missing class/lab rosters and/or electronic records that do not reflect the number of training hours reported to ETP.

Training records maintained by Accenture also showed that some of the training hours reported for these trainees were not included in the curriculum approved by ETP and included in Exhibit B of the Agreement. Ineligible course titles noted for these 10 trainees included “Workplace Harassment” and “Personal Responsibility: Living the Code.”

FINDINGS AND RECOMMENDATIONS (continued)

Finding No. 2 (Table A) included below details the training hours not supported by training records, ineligible training course hours, total unsupported hours, audited hours and disallowed costs for each trainee.

Trainee No.	Job No.	Paid Hours	Hours not Supported by Training Records	Ineligible Training Course Hours	Total Unsupported Hours	Audited Hours	Disallowed Costs
1	1	154	31	12	43	111	\$ 559
2	2	61	24	0	24	37	\$ 312
3	2	129	16	0	16	113	N/A
5	1	44	6	2	8	36	\$ 104
7	2	171	15	2	17	154	\$ 221
9	1	138	88	2	90	48	\$ 1,170
10	1	79	11	3	14	65	\$ 182
11	1	124	24	2	26	98	\$ 338
14	1	27	5	2	7	20	\$ 351
15	2	39	6	2	8	31	N/A
Total							\$ 3,237
Note:							
Trainee Nos. 3 and 15 previously disallowed in Finding No. 1							
Trainee No. 14 below minimum required training hours for Job No. 1							

Recommendation Accenture must return \$3,237 to ETP. In the future, the Contractor should ensure that training records support hours submitted for reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 3 – Accenture received reimbursement for one Job No 2 trainee who Full-Time was not employed full-time during their post-training retention Employment period per Agreement requirements. As a result, we disallowed Requirement Not \$2,353 in training costs claimed for this trainee. Met

Exhibit A, Paragraph VII of the Agreement states, “Each trainee must be employed full-time, at least 35 hours per week with the Contractor or a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training. The retention period shall be completed no later than the last day of this Agreement.”

Accenture reported that Trainee No. 12 completed a post-training retention period from July 8, 2005, through October 6, 2005, and earned an hourly wage rate of \$22.12 per hour. During our audit, Accenture provided information that Trainee No. 12 earned a different hourly wage rate during retention. However, Accenture was unable to provide detailed payroll reports for the period of retention noted above. Accenture noted that Trainee No. 12 terminated on October 8, 2005, directly after retention. In lieu of a detailed payroll report, ETP Auditor used Employment Development Department (EDD) base wage information to calculate an average number of hours worked per week for Trainee No. 12 during retention.

Finding No. 3 (Table A) included below shows the trainee’s hourly wage rate provided by Accenture during our audit, post-training retention period, and average hours per week based on gross earnings reported to EDD by Accenture.

Trainee No.	Job No.	Hourly Wage Rate	Post-Training Retention Period	Average Hours Per Week
12	2	\$11.27	07/08/05 - 10/06/05	12.3

Recommendation Accenture must return \$2,353 to ETP. In the future, the Contractor should ensure trainees meet full-time employment requirements prior to claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 4 – Accenture claimed reimbursement for two Job No. 1 trainees who
Ineligible Trainee were not employed in occupations specified in the Agreement.
Occupations Therefore, we have disallowed \$871 in training costs for these
trainees (\$468 + \$403).

Exhibit A, VII. A. of the Agreement states, “Employment for each trainee shall be in the occupations listed in [the Agreement]....” The occupations identified in the Agreement for Job No. 1 did not include Senior Executive.

Paragraph 5(i) of the Agreement states, “No senior level managers or executive staff who set company policy are included in ETP-funded training under this Agreement.”

The following table shows the job title during retention, as provided by Accenture, for the two trainees.

Trainee No.	Job No.	Job Title
6	1	Senior Executive
13	1	Senior Executive

Recommendation Accenture must return \$871 to ETP. In the future, the Contractor should ensure all trainees are employed in the occupations specified in the Agreement and/or were not employed in senior level or executive positions, prior to claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 5 – Accenture received reimbursement for the training costs of one Job
Minimum Wage No. 2 trainee who did not meet the minimum wage requirement
Requirement Not specified in the Agreement. We previously disallowed \$2,353 in
Met training costs claimed for Trainee No. 12 in Finding No. 3. Thus,
we disallowed no further training costs claimed for this trainee.

Exhibit A, Paragraph VII. A. of the Agreement states, “Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

The Agreement required a minimum hourly wage rate of \$20.61 for Job No. 2 following the post-training retention period. Accenture reported that Trainee No. 12 earned an hourly wage rate of \$22.12 per hour. However, wage information provided by Accenture during our audit indicates that Trainee No. 12 earned an hourly wage of \$11.27 following retention. Thus, Trainee No. 4 failed to meet the minimum wage requirements as specified in the Agreement. The terms of the Agreement for Job No. 2 did not allow for the addition of employer paid health benefits to meet the minimum wage requirement. Furthermore, the employer did not report that Trainee No. 2 received any such benefits in addition to the hourly wage indicated above.

Recommendation In the future, Accenture should ensure trainees meet the minimum wage rate requirements prior to claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 6 – Trainee hourly wage rates reported by Accenture on invoices submitted to ETP were inaccurate. As a result, the Contractor did not comply with Agreement reporting requirements.

Inaccurate
Reporting

Paragraph 2(d) of the Agreement states, “Contractor shall submit invoices and necessary statistical data to ETP in a form and manner prescribed by ETP.” Actual, complete trainee wage rate information is required to verify compliance with Exhibit A, Paragraph VII. A. of the Agreement. This section states, “Each trainee must be employed full time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

We documented actual trainee wage rates based on payroll documents provided by Accenture for 65 initial random sample trainees. Trainee wage rates reported by Accenture varied by 5 percent or more from actual wage rates for 43 of the 65 trainees (66 percent).

Recommendation In the future, Accenture should ensure all trainee wage rate data submitted to ETP is accurate and complete. Inaccurate or incomplete data may result in repayment of unearned funds, plus applicable interest, to ETP.

ATTACHMENT A – Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006